

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PREMIUM FORWARDING SERVICE

Docket No. MC2007-3

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON
PERMANENT PREMIUM FORWARDING SERVICE
(July 31, 2007)**

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that a change in the Domestic Mail Classification Schedule (DMCS) would be in the public interest and in accordance with the policies and applicable criteria of that title. The proposal would convert Premium Forwarding Service (PFS) from an experiment into a permanent offering. PFS would retain the existing application and weekly prices,¹ and would continue to offer postal customers the option to have all their mail reshipped to a temporary address. PFS shipments are sent via Priority Mail® once a week to the customer's temporary address. The Postal Service requests that the Postal Regulatory Commission submit to the Governors of the Postal Service a recommended decision to make PFS permanent.

Based on the results of the experiment, the Postal Service has concluded that PFS is an attractive supplement to pre-existing options for customers who temporarily

¹ The weekly reshipment fee changed earlier this calendar year when most of the rates resulting from Docket No. R2006-1 were implemented. The application fee has been the same since the inception of the PFS experiment.

relocate, because it meets customer demand for service features not otherwise available. Unlike temporary forwarding, which sends some mail on a piece-by-piece basis – depending upon class and endorsement – to a temporary address, PFS reships all of a customer's mail in a weekly Priority Mail package.² Unlike hold mail, which withholds from delivery the mail of an entire household for a period up to 30 days, PFS provides reshipping service for up to one year (per application), and allows customers to specify whether to include the mail of the entire household or merely that of an individual addressee. Overall, PFS provides a level of service that complements and expands upon the current (permanent) options offered by the Postal Service for customers who relocate temporarily.³ The features of PFS, and the rationale for making the service permanent, are presented in detail by witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

The Postal Service proposes that existing fees for PFS customers be retained. The pricing of the proposed enrollment and per-shipment fees is explained in the testimony of witness Dawson (USPS-T-3), who relies upon estimated set-up and re-packaging costs analyzed by witness Abdirahman (USPS-T-2). The Postal Service proposals employ the Commission's costing methods, and are supported by the record in Docket No. R2006-1.

As demonstrated in the testimony of witness Dawson (USPS-T-3), the Postal Service's overall revenue position will not be affected materially under the proposal to make PFS permanent. The Postal Service does not need to make any capital

² Certain mail is reshipped outside of the weekly container if, for example, a delivery scan or payment of postage due are involved.

³ Individuals may temporarily relocate for any number of reasons, including a short term job assignment, school, extended family care, or vacation.

investment to convert PFS to a permanent option, and the fees selected are based on conservative costing and pricing methods. Overall, the proposed experiment creates no appreciable risk of significant, negative financial results or harm to the Postal Service, mailers using PFS, or other mailers.

The Postal Service files this proposal with the expectation that the fees and classification embodied in it are attractive to customers and will contribute to the long-term viability of the postal system. PFS increases the value of mail for both senders and recipients by making mail available sooner to addressees who travel away from home for extended stays. Permanent PFS would accordingly further the general policies of the Postal Reorganization Act by reducing the time between entry of mail and recipients' access to its valuable contents. See 39 U.S.C. § 403(b). The requested changes also conform to the criteria of 39 U.S.C. §§ 3622(b) and 3623(c). USPS-T-3.

In accordance with the Commission's Rules of Practice and Procedure, the Postal Service submits herewith information and data that explain the nature and scope, significance, and effect of the proposed changes. The Postal Service's direct testimonies accompany this Request. The testimony and exhibits have been marked for identification as shown in Attachment D to this Request.

The instant filing incorporates by reference materials submitted with the Postal Service's Request in Docket No. R2006-1, as well as other materials routinely provided to the Commission by the Postal Service. The Postal Service believes that its submissions comply with the Commission's filing requirements in Rules 54 and 64 of the Rules of Practice and Procedure (39 C.F.R. §§ 3001.54 and 64). Since the Commission

may conclude otherwise, the Postal Service is today filing a separate conditional motion for a waiver of certain filing requirements in Rules 54 and 64.

WHEREFORE, the Postal Service requests that the Commission submit a recommended decision in accordance with this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 31, 2007

Proposed Domestic Mail Classification Schedule language changes are marked with **[square brackets]** for deletions and underscore for new language.

937 PREMIUM FORWARDING SERVICES**937.1 Definition**

937.11 Premium Forwarding Service provides residential delivery customers, and certain post office box customers, the option to receive substantially all [classes of] mail addressed to a primary address instead at a temporary address by means of a weekly Priority Mail shipment. Parcels that are too large for the weekly shipment, mail pieces that require a scan upon delivery or arrive postage due at the office serving the customer's primary address, and certain Priority Mail pieces may be re-routed as specified by the Postal Service. Re-routed Express Mail, First-Class Mail, and Priority Mail pieces incur no additional reshipping charges. Re-routed Standard Mail and Package Service pieces may be re-routed postage due[, primarily Priority Mail postage due,] as specified by the Postal Service. Mail sent to a primary address for which an addressee has activated Premium Forwarding Service is not treated as undeliverable-as-addressed.

* * * * *

937.3 Customer Requirements

937.31 A customer must complete and submit a Premium Forwarding Service application together with all postage and fees for the full duration of service[to the post office responsible for delivery to that customer's primary address], as specified by the Postal Service.

* * * * *

937.5 Rates and Fees

937.51 [The postage rate for mail reshipped by Premium Forwarding Service consists of the rate specified in Rate Schedule 223 for a three-pound parcel mailed to zone 6 on the enrollment date.

937.52] Fees for Premium Forwarding Service are specified in Fee Schedule 937.

* * * * *

[937.6 Duration of the Premium Forwarding Service Experiment

937.61 The provisions of section 937 expire the later of:

a. August 7, 2007, or

b. if, by the expiration date specified above, a request for the establishment of a permanent Premium Forwarding Service is pending before the Postal Rate Commission, the later of:

(1) three months after the Commission takes action on such proposal under section 3624 of title 39, or, if applicable,

(2) the implementation date for a permanent Premium Forwarding Service classification.】

FEE SCHEDULE 937**PREMIUM FORWARDING SERVICE**

Description	Fee (\$)
Enrollment fee	10.00
Weekly reshipment fee	<u>11.95</u> [2.85*]

[* This fee is in addition to the postage applicable to a 3-pound parcel mailed to zone 6, as stated in Rate Schedule 223 (Priority Mail).]

COMPLIANCE STATEMENT

This Attachment identifies where the Postal Service supplies the information requested by Rules 54 and 64 of the Commission's Rules of Practice and Procedure (39 CFR §§3001.54, and 3001.64). Where information is not included in direct testimony or exhibits of the Postal Service witnesses, it is contained in this or other attachments to the Request, or has been incorporated by reference to the testimony, exhibits, foundational materials, library references, Request, or attachments, filed and made available to the Commission in Docket No. R2006-1. Alternatively, the pertinent filing requirements should be waived in accordance with the accompanying Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.

RULE: 54(a)(1)

REQUIREMENT: This rule requires a description of any changes proposed by the Postal Service in the attribution procedures applied by the Commission in the most recent general rate proceeding in which its recommended rates or fees were adopted. If a request proposes to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying Rule 54(h) that shows what the effect on the Postal Service's request would be if it did not propose changes in attribution principles. If the required information is set forth in the Postal Service's prepared direct evidence, it shall be deemed to be part of the formal request without statement.

RESPONSE:

No changes in cost attribution principles applied by the Commission in Docket No. R2006-6 are proposed. Insofar as they may apply, the Postal Service incorporates by reference the testimonies and costing presentations submitted with its Request in Docket No. R2006-1.¹

¹ See Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services and Request for Expedition, Docket No. R2006-1, Attachment G (May 3, 2006). The Compliance Statement in that case provides direction to pertinent testimony and documentation.
Docket No. MC2007-3, Compliance Statement

RULE: 54(b)(1), (2), (3), (4)

INFORMATION REQUESTED: These rules request the submission of schedules of the existing effective rates of postage and fees for all postal services and those rates and fees as proposed to be changed or adjusted. The schedules must:

- (1) show the full rates and, where applicable, the phased rates under section 3626 of title 39, U.S.C., and any proposed adjustment to such phased rates under section 3627 of title 39, U.S.C., indicated by the circumstances known at the time of the filing;
- (2) be presented in a summary fashion and a tariff-like form, specifying those rules, regulations and practices which establish the conditions of mailability and the standards of service. Specifically, they must address such functions as mail pickup and delivery, processing and other similar functions;
- (3) contain a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) be accompanied by an identification of all nonpostal services.

RESPONSE:

1. Present and Proposed Rates, Fee and Classification Schedule Provisions.

Attachment A to this Request sets forth the proposed changes to the Domestic Mail Classification Schedule § 937 for Premium Forwarding Service.

Attachment B to this Request sets forth the proposed revision to Fee Schedule 937 for Premium Forwarding Service.

No alteration of existing rates, fees, or classifications is proposed.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service generally are published in the Domestic Mail Manual (DMM®) and

are incorporated by reference in 39 C.F.R. § 111.1. Current DMM provisions are available at <http://pe.usps.gov>. The practices of the Postal Service regarding, and the conditions for, Premium Forwarding Service are discussed in the testimony of witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2), and Dawson (USPS-T-3). The Postal Service's response to Rule 54(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, the Postal Service incorporates by reference the testimony and supporting documentation filed with its Request in Docket No. R2006-1. Substantial information relevant to economic substitutability was included in the testimonies of witnesses Thress (USPS-T-7) and Bernstein (USPS-T-8).

The proposal to convert existing experimental Premium Forwarding Service into a permanent classification using the fees already in place is not expected to cause significant substitution among mail classes, subclasses or rate categories, or have a significant impact on mail volumes.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.²

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

² See Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.
Docket No. MC2007-3, Compliance Statement

RULE: 54(c)**INFORMATION REQUESTED:**

This rule requires "an identification of the characteristics of the mailer and recipient, and a description of the contents of items mailed within the various classes and subclasses of mail and service."

RESPONSE:

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1 in the testimonies of witnesses Bernstein (USPS-T-8), Thress (USPS-T-7), O'Hara (USPS-T-31), Taufique (USPS-T-32), Scherer (USPS-T-33), Berkeley (USPS-T-34), Tang (USPS-T-35) and Kiefer (USPS-T-36 & 37). With regard to permanent Premium Forwarding Service, information responsive to this rule may be found in the testimony of witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(d)**INFORMATION REQUESTED:**

This rule requests "an identification of the physical attributes of the items mailed by class and subclass, including shape, weight, and distance."

RESPONSE:

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1, including the testimonies and supporting materials of witnesses Milanovic (USPS-T-9), Waterbury (USPS-T-10), Nash (USPS-T-16), Schroeder (USPS-T-29) and Kelley (USPS-T-30). Specific information regarding the physical attributes of items to be reshipped pursuant to Premium Forwarding Service is provided in the testimony of witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3). Additional information, in the form of Quarterly Statistics Reports, appears on both the Postal Regulatory Commission (www.prc.gov) and Postal Service (www.usps.com) websites. The most recent such report is available on the July 9, 2007 Daily Listing of the former web site.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(e)**INFORMATION REQUESTED:**

To the extent such information is not included within material supplied under rule 54(b)(2), this rule requests "a summary statement describing special service arrangements provided to, or requested or required of, mailers by the Postal Service which bear upon the cost of service or the value of the mail service to both the sender and the recipient, e.g., services relating to mailer preparations in excess of requirements specified by the [*Domestic Mail Manual (DMM)*], pick-up and delivery, expedited or deferred processing, and other similar activities performed."

RESPONSE:

Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2006-1 (see Docket No. R2006-1 Compliance Statement, Rule 54(e)), incorporated by reference here). To the extent they might exist, other arrangements and circumstances having a bearing on the cost and value of mail service were reflected in the Docket No. R2006-1 testimony and supporting materials of witnesses Milanovic (USPS-T-9) and Waterbury (USPS-T-10). The requirements for Premium Forwarding Service are described in the testimony of witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived

RULE: 54(f)(1)

INFORMATION REQUESTED:

This rule requests the submission of "the total actual accrued costs during the most recent fiscal year for which they are reasonably available."

RESPONSE:

The total actual accrued costs for FY 2006 are presented in the Cost & Revenue Analysis (CRA) Report, on file with the Commission. Operating and other expenses for FY 2006 are contained in the United States Postal Service Annual Report for FY 2006, which also has been filed with the Commission.

RULE: 54(f)(2) (Basic Submissions)

INFORMATION REQUESTED:

This rule requests:

- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees;
- for a year which forms the basis for the proposed rates and fees, beginning not more than 24 months after the filing date of the Request, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for a year which forms the basis for the proposed rates and fees, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees.

RESPONSE:

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1, including witness Waterbury's testimony regarding FY2006 estimated total actual accrued costs and test year FY2008. Because of the limited nature of the changes to Premium Forwarding Service being proposed, and the absence of expected impact on Postal Service revenues and costs, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs in the present fiscal year, or a rollforward analysis in a future test year. Such a full analysis of overall revenues and costs is unnecessary and inappropriate in a context where prices

do not change. As explained in the testimony of witnesses witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3)., existing fees for Premium Forwarding Service, plus all other rates, fees and classifications, would not change pursuant to the instant proposal. However, if the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(f)(3)(i) and (ii) (Operating Costs)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the following:

- the Postal Service's operating costs, described in "sufficient detail as to the accounting and functional classifications and with such reasonable explanation so that the actual or estimated amount for each item of expense may be readily understood"; and
- full explanations for the amounts included for depreciation on capital facilities and equipment, debt service, contingencies, and extraordinary or nonrecurring expenses.

RESPONSE:

The Postal Service incorporates by reference the testimony and supporting documentation of witness Loutsch submitted in connection with the Postal Service's Request in Docket No. R2006-1. Witness Loutsch's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because of the limited nature of the changes proposed with no changes to any prices, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(f)(3)(iii) (Cost Assignment and Distribution)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the assignment and distribution of costs to each of the functions "comprising the mail process," including,

- an itemization of costs by the major accounts as reflected by the Service's books of account for all cost segments;
- an itemization of costs by functions such as collection, acceptance, general overheads, etc.;
- an assignment and distribution of the costs by account, together with related mail volumes, for each function;
- an assignment and distribution of the costs by account, together with related mail volumes, to "such subfunctions within each category for which information is available or can be developed";
- an explanation of the method by which the costs by account are assigned and distributed to functions.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. (See Docket No. R2006-1 Compliance Statement, Rule 54(f)(3)(iii)). Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(g)**INFORMATION REQUESTED:**

This rule requests historical costs for "each fiscal year since the last filing pursuant to this section" to be submitted "in a form as nearly consistent as possible with the filing under [rule 54(f)], together with explanations of any departures from such form and the effect of such departures."

RESPONSE:

Operating and other expenses for FY 2006 are contained in the United States Postal Service Annual Report from FY 2006, which has been filed with the Commission. Total and distributed costs for FY 2006 are presented in the Cost & Revenue Analysis (CRA) Report, also on file with the Commission.

RULE: 54(h)(1)

INFORMATION REQUESTED:

This rule requests the separation of actual and estimated total costs, for the fiscal years specified in Rule 54(f), as between postal services (including international mail) and nonpostal services. "The presentation shall show the methodology for separating postal costs as between postal services and nonpostal services, and shall be in sufficient detail to allow a determination that no nonpostal costs have been assigned or allocated to postal services."

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. These materials discuss separation of costs among domestic, international, and nonpostal services (see Docket No. R2006-1 Compliance Statement, Rule 54(h)(1)). Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(h)(2) and (3) (Separation of costs by functions)

INFORMATION REQUESTED:

For the actual and estimated total costs presented for the years specified in rule 54(f), these rules request that the costs be separated as follows:

- those direct costs which can be attributed to each class of mail or type of mail service;
- those indirect costs which can be attributed to each class of mail or type of mail service;
- any other costs of the Service which can be reasonably assigned to each class of mail or type of mail service;
- any other costs of the Postal Service which cannot be attributed or reasonably assigned.

The methodology used to derive these costs is requested to be set forth in detail.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(h)(4), (12)

INFORMATION REQUESTED:

This rule applies to the costs identified in rule 54(h)(2). It requests that these costs be separately attributed to mail classes, subclasses, and special services. It also requests identification of the methodology used in attribution and an analysis of the effect of costs on the following:

- volume;
- peaking patterns;
- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- expected gains in total productivity, indicating such factors as operational and technological advances and innovations;
- any other factor affecting costs.

The data relevant to the analyses of the effect on costs of these factors is also to be provided.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1 (see Docket No. 2006-1 Compliance Statement, Rule 54(h)(4), (12)). Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that these provisions be waived.

RULE: 54(h)(5) - (h)(10) (Rollforward model)

INFORMATION REQUESTED:

These provisions generally specify particular items which are to be included in the presentation of the process by which base year costs are rolled-forward to test-year costs, such as listings of the forecasting factors, piggyback factors, interim period workpapers, and an overall summary cost table. Rules 54(h)(6) and (7) request an explanation of the attributable cost final adjustments and the "other services" adjustments.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Cost estimates for the Premium Forwarding Service have not been developed through the rollforward process described in those materials. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that these provisions be waived.

RULE: 54(h)(11) (Nonattributed costs)

REQUIREMENT:

This rule applies to costs that are identified as "nonattributed or unassigned" pursuant to rule 54(h)(2). It requests an explanation as to why such costs cannot be attributed or assigned. It further requests the identification, to the extent possible, of all such costs which benefit more than one class of mail or type of service (but not all classes or types), together with the mail classes or types of services so benefited.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. The Compliance Statement therein (Rule 54(h)(11)) discusses nonattributed costs generally, and the extent to which they benefit more than one class of mail. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(i)

REQUIREMENT:

This rule requires a statement of the criteria employed by the Postal Service in construction of the proposed rate schedule. The statement is to include:

- the identification of the relationship between the revenues derived from the rates and fees for a particular class and subclass of mail or service and the costs attributed and assigned to that class or subclass of service;
- the identification of the procedures and methods used to apportion (to postal services) that part of the total revenue requirement, which is in excess of costs attributed;
- such other studies, information and data relevant to the criteria established by section 3622 of title 39, U.S.C., with appropriate explanations as will assist the Commission in determining whether or not the proposed rates or fees are in accordance with such criteria.

RESPONSE:

The instant Request proposes that experimental Premium Forwarding Service become a permanent classification. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year. The proposed fees are the same as those currently in effect so any limited financial impact would be minor and, in any event, could not affect a revenue requirement. As such, it should not be necessary to develop detailed revenue/cost analyses or analyses of institutional cost contributions. The testimony and exhibits of witness Dawson (USPS-T-3) discuss the criteria established by former section 3622(b)³ of Title 39.

³ The Postal Accountability and Enhancement Act (Public Law 109-435) invokes a "Transition Rule" in revised section 3622(f) that makes the criteria in former section 3622(b) applicable to the instant Request.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(j)(1), (2), (3), and (4)

INFORMATION REQUESTED:

These rules request specification of revenues for certain fiscal years, including the test year.⁴ Revenues are to be submitted for

- test year (FY 2008), assuming prefiling (existing) rates and fees;
- test year (FY 2008), assuming proposed rates and fees.

The actual and estimated revenues for these years are to be shown in total and separately for each class and subclass of mail and postal service and for all other sources from which the Postal Service collects revenues.

Each revenue presentation is to be supported by identification of the methods and procedures employed.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

⁴ While no formal test year is used in this docket, the test year from Docket No. R2006-1 is also the next fiscal year. As such, projections regarding the first year of permanent Premium Forwarding Service converge with that test year.

RULE: **54(j)(5)** (volume estimates)

REQUIREMENT:

This rule requires that the Postal Service present for each class and subclass of mail and special service

- for each postal quarter beginning with the first quarter of the most recent complete fiscal year and ending one year beyond the last quarter of the test year, actual or estimated mail volumes at the prefiled (existing) rates and fees;
- for each postal quarter beginning with the quarter in which the rates are assumed to become effective and ending one year beyond the last quarter of the test year, the estimated volume of mail assuming the effectiveness of the proposed rates.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: **54(j)(5), (6), (7)** (Demand study -- methodology and documentation)

REQUIREMENT:

These rules require that the volume estimates provided pursuant to Rule 54(j)(5) must be derived from an econometric demand study relating postal volumes to their economic and noneconomic determinants, including postal rates, discounts and fees, personal income, business conditions, competitive and complementary postal services, competitive and complementary nonpostal activities, population, trend, seasonal patterns and other factors. The study must be furnished with the request, and any departure from the assumptions and specifications in the demand study made in estimating volumes of any class or subclass of mail must be explained. If different billing determinants are used for volume forecasting and revenue forecasting purposes, a supporting rationale must be provided.

For volume and revenue estimates, and subject to rule 54(a)(2), the Postal Service is to provide:

- a detailed explanation of the methodology employed to forecast volumes for each class and subclass of mail and postal service. Representative derivations of these forecasts from the econometric demand study must be presented in detail for two major mail classes, showing each intermediate value or factor employed. For remaining classes and subclasses of mail, such derivations may be summarized, except where their derivations depart from the representative methods presented;
- a detailed explanation of the methodology employed to forecast changes in revenues for each class and subclass of mail and postal service resulting from changes in rates and fees;
- a computer implementation of the methodology employed to forecast volumes and revenues for each class and subclass of mail and postal service. The computer implementation must comply with Rule 31(k)(3), and must be able to compute forecasts of volumes and revenues compatible with those specified in Rules 54(j)(2), (3), and (5) for
 - any set of rates and fees within a reasonable range of the prefiled (existing) and the proposed rates,
 - any date of implementation within the range spanned by the assumed date of implementation and the start of the test year,
 - alternative forecasts of the economic determinants of postal volumes, other than postal rates and fees, and

- alternative values of any parameters with assigned values that are based upon unverifiable judgments.

Subject to rule 54(a)(2), the Postal Service must make available at the offices of the Commission, in a form that can be read directly by a standard digital computer, the following:

- all of the input files and programs needed to replicate the requested econometric demand study;
- any input files and programs employed to derive a price index for any class or subclass of mail or postal service from postal rates, discounts, and fees;
- any input files and programs used to prepare data for use in the requested econometric demand study.

RESPONSE:

With regard to volume projections generally and estimates pertaining to classes of mail and special services, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the changes proposed and the absence of price changes, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

With respect to the proposal to make Premium Forwarding Service a permanent classification, witness Dawson's testimony (USPS-T-3) projects volume and revenue.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(k)

INFORMATION REQUESTED:

This rule requests that the Postal Service provide, for FY 2005 and FY 2006 (the two fiscal years immediately preceding the year in which the instant request is filed), the Balance Sheet, the Statement of Income and Expense, basic statistical information, and the Statement of Income and Expense by budget category. This includes data with respect to the following:

- (1) the Balance Sheet and a supporting schedule for each item that appears thereon;
- (2) the Statement of Income and Expense and a supporting schedule for each item appearing thereon;
- (3) as appropriate, statistical data with respect to revenue, pieces (by physical attributes, showing separately amounts of mail identified as stamped, metered, and imprinted, or other), weight, distance, postal employees (number, total payroll, productivity, etc.), postal space, post offices (number, classes, etc.), and any other pertinent factors which have been utilized in the development of the suggested rate schedule; and
- (4) the Statement of Income and Expense by cost segment.

In addition, this rule requires that the Postal Service provide a reconciliation of the budgetary information with the actual accrued costs for the most recent fiscal year (FY 2003). If the fiscal information for the immediately preceding fiscal year is not fully available on the date of filing, the Postal Service is required to make a preliminary or pro forma submittal, and file an updated report once the fiscal information is completed.

RESPONSE:

Financial information for both FY2005 and FY2006 are already available at

www.prc.gov.

RULE: 54(l)(i)**REQUIREMENT:**

This rule requires a statement (which can be in workpaper form) indicating for each class and subclass of mail and postal service the relevant billing determinants (e.g., the volume of mail related to each rate element in determining revenues) separately for the current rates and the proposed rates. Proposed changes in rate design and the related adjustments are to be explained in detail.

RESPONSE:

With regard to billing determinants pertaining to classes of mail and special services in general, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Billing determinants for FY 2006 are on file with the Commission. Additional information pertaining to the implied postage paid for by Premium Forwarding Service customers is presented in the testimony of witness Dawson (USPS-T-3).

RULE: 54(l)(ii)

REQUIREMENT:

This rule requires, subject to subsection (a)(2), the base year volume of third-class bulk mail by ounce increment for each shape (letter-size, flat, irregular parcels, and parcels), submitted separately for regular and preferred, by presort level.

RESPONSE:

The Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. This information is not affected by the proposal to make Premium Forwarding Service a permanent classification.

RULE: 54(m)

REQUIREMENT:

This Rule requires a statement, which can be in workpaper form, presenting detailed calculations of continuing appropriations according to 39 U.S.C. § 2401(c), phasing appropriations under 39 U.S.C. § 3626, and any proposed adjustment to such phased rates under 39 U.S.C. '§3627 indicated by circumstances known at the time of the filing. Calculation of all the phased rates for the entire applicable phasing period are to be explained in detail.

RESPONSE:

With regard to mail categories and special services in general, the Postal Service incorporates by reference the materials submitted with its Request in Docket No.

R2006-1. This rule is not applicable to the instant Request, since no changes are proposed for any preferred subclasses of mail.

Rule: 54(n)

REQUIREMENT:

This Rule requires identification of any performance goals which have been established for the classes and subclasses of mail. The Request is to identify the achieved levels of service for those classes and subclasses of mail and mail services for which performance goals have been set.

RESPONSE:

The Postal Service incorporates by reference the material filed with the Request in Docket No. R2006-1 (see Docket No. R2006-1 Compliance Statement, Rule 54(n)).

This rule is not applicable to the instant Request, since no changes are proposed for any performance goals or subclasses of mail.

Rule: 54(o)

REQUIREMENT:

This Rule requires seven sets of workpapers to be filed with the Request.

RESPONSE:

To the extent there are any workpapers in this case, they are attached to the testimonies of witnesses Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

Workpapers for testimony filed in Docket No. R2006-1 are on file with the Commission.

Rule: 54(p)

INFORMATION REQUESTED:

This Rule requests one or more certifications stating that the cost statements and supporting data submitted as part of the formal request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books. The requested certification is to be signed by one or more representatives of the Postal Service authorized to make such certification.

RESPONSE:

The requested certification is submitted as Attachment E to this Request.

Rule: 54(q)

INFORMATION REQUESTED:

This Rule requests an opinion from an independent public accountant to the extent and as required by 39 U.S.C. § 2008(e).

RESPONSE:

An opinion by the independent accounting firm of Ernst & Young covering Fiscal Year 2006 can be found in the United States Postal Service Annual Report for FY 2006, which has been filed with the Commission.

Rule: 64(b)(1), (2), (3), (4)

INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the Rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

RESPONSE:

1. Present and Proposed Rates, Fees and Classification Schedule Provisions.

Attachment A to this Request sets forth the proposed changes to the Domestic Mail Classification Schedule sections 937.11, 937.31, 937.51-52, and 937.6.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service generally are published in the Domestic Mail Manual (DMM®) and are incorporated by reference in 39 C.F.R. § 111.1. The Postal Service's response to Rule 64(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, the Postal Service incorporates by reference the testimony and

supporting documentation filed with its Request in Docket No. R2006-1. Substantial information relevant to economic substitutability was included in the testimonies of witnesses Thress and Bernstein (USPS-T-7, USPS-T-8).

The proposed elimination of an expiration date for the experimental Premium Forwarding Service while existing prices are retained should cause no significant substitution among mail classes, subclasses or rate categories, or have a significant impact on mail volumes.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.⁵

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

⁵ See Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.
Docket No. MC2007-3, Compliance Statement

Rule: 64(c)(1), (2), (3)

INFORMATION REQUESTED:

This Rule asks for information regarding the users of the Postal Service, the nature of the items mailed and the methods of mailing used. Specifically, this section requests the following:

- 1) an identification of the characteristics of the mailer and the recipient, and a description the contents of items mailed within each class and subclass;
- 2) identification of the physical attributes of the items mailed by class and subclass, including shape, weight and distance; and
- 3) to the extent it is not provided under paragraph (b)(2), a summary statement that describes special service arrangements provided to, or requested or required of, mailers by the Postal Service that affect the cost of service or its value to the mailer or recipient.

RESPONSE:

(1) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. With regard to PFS, information responsive to this rule appears in the direct testimony and written cross-examination in Docket No. MC2005-1. Additional information is supplied in this docket by witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(2) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its

Request in Docket No. R2006-1. With regard to PFS, information responsive to this rule appears in the direct testimony and written cross-examination in Docket No. MC2005-1. Additional information is supplied in this docket by witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(3) Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2006-1 (see Docket No. R2006-1 Compliance Statement, Rule 54(e)), which are incorporated by reference here. With regard to PFS, information responsive to this rule appears in the direct testimony and written cross-examination in Docket No. MC2005-1. Additional information is supplied in this docket by witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Rule: 64(d)

INFORMATION REQUESTED:

This Rule requests that effects of the changes on cost assignments, total costs, and total revenues be provided, on a before and after change basis.

RESPONSE:

The total actual accrued costs for FY2007 are presented in the Cost & Revenue Analysis (CRA) Report, filed with the Commission. While no specific changes are driven by PFS, witness Dawson (USPS-T-3) does estimate revenue

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Further, the Postal Service incorporates by reference the testimony and supporting documentation of witness Loutsch submitted in connection with the Postal Service's Request in Docket No. R2006-1. Witness Loutsch's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because conversion of PFS to a permanent classification should have little impact, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

Rule: 64(e)

INFORMATION REQUESTED:

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

RESPONSE:

This proposal does not involve the reassignment of part of an existing class or subclass of mail to another existing class or subclass.

Rule: 64(f)

INFORMATION REQUESTED:

This Rule requests a complete statement of the reasons and bases for the proposed changes.

RESPONSE:

The testimony of witnesses Hope (USPS-T-1), Abdirahman (USPS-T-2) and Dawson (USPS-T-3) together with the Request and related documentation provide the reasons and bases for proposed conversion of PFS to a permanent classification.

Rule: 64(g)

INFORMATION REQUESTED:

This Rule sets forth the requested format and filing requisites for workpapers.

RESPONSE:

There are no workpapers in this case, although witnesses Abdirahman (USPS-T-2) and Dawson (USPS-T-3) do include spreadsheets in their respective testimonies.

Rule: 64(h)**INFORMATION REQUESTED:**

This Rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

RESPONSE:

No rates or fees, and no changes in cost attribution methods or in the amount of attributed costs to classes or subclasses are implicated by the proposed elimination of an expiration date for PFS or its conversion to a permanent classification. A statement and conditional motion setting forth grounds for waiver of portions of Rule 64, if necessary, accompanies this Request.

INDEX OF TESTIMONIES: DOCKET NO. MC2007-3

WITNESS	TESTIMONY	EXHIBIT	WORKPAPERS	ATTORNEY
		TITLE	NO.	
Ms. Hope	USPS-T-1	***	***	Kenneth N. Hollies 202-268-3083
Mr. Abdirahman	USPS-T-2	***	***	David H. Rubin 202-268-2986
Mr. Dawson	USPS-T-3	***	***	[Either of the foregoing counsel]

CERTIFICATION

I, Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision on Permanent Premium Forwarding Service, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 193(i) of the Postal Regulatory Commission's Rules of Practice and Procedure, 39 C.F.R. §3001.193(i), I hereby certify that I have read the Request, and that the cost statements and supporting data submitted by the Postal Service as part of the Request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books.



Ashley Lyons